

**NOTICE OF PROBABLE VIOLATION
and
PROPOSED CIVIL PENALTY**

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

May 20, 2013

Mr. Richard Keyser
Vice President of Operations
Gulf South Pipeline Company, LP
9 Greenway Plaza, Suite 2800
Houston, TX 77046

CPF 4-2013-1011

Dear Mr. Keyser:

On October 15-27, 2012, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), Office of Pipeline Safety (OPS), pursuant to Chapter 601 of 49 United States Code inspected your Integrity Management Program in Owensboro, KY.

As a result of the inspection, it appears that you have committed probable violations of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations. The item inspected and the probable violation is:

1. §192.933 What actions must be taken to address integrity issues?

(d) Special requirements for scheduling remediation.-

(1) Immediate repair conditions. An operator's evaluation and remediation schedule must follow ASME/ANSI B31.8S, section 7 in providing for immediate repair

conditions. To maintain safety, an operator must temporarily reduce operating pressure in accordance with paragraph (a) of this section or shut down the pipeline until the operator completes the repair of these conditions. An operator must treat the following conditions as immediate repair conditions:

- (i) A calculation of the remaining strength of the pipe shows a predicted failure pressure less than or equal to 1.1 times the maximum allowable operating pressure at the location of the anomaly. Suitable remaining strength calculation methods include, ASME/ANSI B31G; RSTRENG; or an alternative equivalent method of remaining strength calculation. These documents are incorporated by reference and available at the addresses listed in appendix A to part 192.**
- (ii) A dent that has any indication of metal loss, cracking or a stress riser.**
- (iii) An indication or anomaly that in the judgment of the person designated by the operator to evaluate the assessment results requires immediate action.**

Gulf South Pipeline Company, LP (Gulf South) did not reduce operating pressure, shut down the pipeline or make repairs and evaluations of two immediate repair conditions within reasonable time after the date of discovery.

Gulf South conducted two assessments using an ILI tool on both HCA 600 and HCA 1082. On both assessments there was an anomaly that was identified as a “deformation ... w/ Possible Metal Loss”, which meets the definition of an immediate repair condition per 192.933(d)(1)(ii). Gulf South’s integrity manager reviewed both ILI logs and re-classified both anomalies as not immediate repair conditions.

Gulf South received the anomaly reports for HCA 600 on July 8, 2009 and the report for HCA 1082 was received on June 27, 2011. Gulf South should have reduced operating pressure, shut down the pipeline or made repairs immediately following the date of discovery.

Repair of the anomaly on HCA 600 was completed on March 3, 2010 and the one for HCA 1082 was completed on July 23, 2011. The excavation and evaluation for both anomalies re-confirmed the “immediate repair conditions” identified in the anomaly report.

Gulf South amended their procedure, IMP Chapter 7, section 3, to not allow the reclassification of anomaly indications that meet the criteria for immediate conditions. PHMSA reviewed this modification and found it acceptable.

Proposed Civil Penalty

Under 49 United States Code, § 60122, you are subject to a civil penalty not to exceed \$200,000 per violation per day the violation persists up to a maximum of \$2,000,000 for a related series of violations. For violations occurring prior to January 4, 2012, the maximum penalty may not exceed \$100,000 per violation per day, with a maximum penalty not to exceed \$1,000,000 for a related series of violations. The Compliance Officer has reviewed the circumstances and

supporting documentation involved in the above probable violation(s) and has recommended that you be preliminarily assessed a civil penalty of \$16,200 as follows:

Response to this Notice

Enclosed as part of this Notice is a document entitled *Response Options for Pipeline Operators in Compliance Proceedings*. Please refer to this document and note the response options. All material submit in response to this enforcement action may be made publicly available. If you believe that any portion of your responsive material qualifies for confidential treatment under 5 U.S.C. 552(b), along with the complete original document you must provide a second copy of the document with the portions you believe qualify for confidential treatment redacted and an explanation of why you believe the redacted information qualifies for confidential treatment under 5 U.S.C. 552(b). If you do not respond within 30 days of receipt of this Notice, this constitutes a waiver of your right to contest the allegations in this Notice and authorizes the Associate Administrator for Pipeline Safety to find facts as alleged in this Notice without further notice to you and to issue a Final Order.

In your correspondence on this matter, please refer to **CPF 4-2013-1011** and for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

R. M. Seeley
Director, Southwest Region
Pipeline and Hazardous Materials Safety Administration

Enclosure: *Response Options for Pipeline Operators in Compliance Proceedings*